

Obtained the performance measures report that the ILECs used for exchange access service intervals and obtained documentation from SBC regarding internal controls on the systems and methodology used to calculate these measures at each ILEC. Obtained the raw data from the intermediate systems and recalculated Performance Measurement Two, "Time from Bell Operating Company Promised Due Date to Circuit Being Placed in Service for DS3 and Above Circuits," for three consecutive months, selected at random, during the Engagement Period for the states of California, Connecticut, Illinois and Texas. Performed the necessary calculations and compared the outcome to the ILECs' reported results.

The following differences were noted when recalculated results were compared to the ILECs' results. The restated results for California and Connecticut are documented in Attachments A-9-A and A-9-B, respectively.

Connecticut – SNET's third quarter 2000 results for Performance Measurement Two for affiliate and nonaffiliate entities contained differences when compared to our recalculation. The difference resulted from specific queries not being updated when SNET converted from one database to another in August 2000 for performance measure data retrieval and calculations. In accordance with the conversion, the queries used to pull the performance measure data had to be updated to reflect data format and structure changes. In changing the queries, two queries remained unchanged and were not updated. The differences were cleared by SBC, and included in restated results.

Illinois – Ameritech Illinois September 2000 DS3 results for Performance Measurement Two for nonaffiliate entities contained differences when compared to our recalculation. These differences related specifically to the orders completed on the seventh and eighth days past the due date. The results as originally published indicated that two orders were completed on the seventh day and one order was completed on the eighth day. Based upon our recalculation, one order was completed on the seventh day and two orders were completed on the eighth day. The differences were cleared by SBC, and included in restated results.

California – Pacific Bell's third quarter 2000 results for Performance Measurement Two for affiliate and nonaffiliate entities contained discrepancies when compared to our recalculation. The differences were cleared by SBC, and included in restated results.

The first difference in Pacific Bell's performance measure results relates to the product disaggregation. Pacific Bell omitted the T3 and higher data from the DS3 product category for affiliate entities and nonaffiliate entities. This omission resulted in the performance measure results for DS3 for affiliate and nonaffiliate categories being misstated for July, August and September 2000.

The second difference in Pacific Bell's performance measure results relates to the calculation of Time from Promised Due Date-to-Date Circuit was Placed In Service. Pacific Bell did not include the customer misses as a "met" in the numerator. This difference results in the performance measure results for all products and classifications being misstated for July, August and September 2000.

The third difference in Pacific Bell's performance measure results relates to a query in Microsoft Access. During the loading of the performance measure data by Pacific Bell, one order in the August DS3 nonaffiliate category was excluded thus creating a difference in the calculation of the performance measure percentage.

The fourth difference in Pacific Bell's performance measure results relates to the disaggregation between affiliate and nonaffiliate entity categories. One order contained a classification of nonaffiliate.

Objective IX. Determine whether the ILECs, and any affiliate subject to Section 251(c) of the Act, have made available unbundled network elements, or other facilities or services, to other providers of Advanced Services on the same terms and conditions as they have to the separate Advanced Services affiliate that operates in the same market.

1. Obtained the written agreements offered (i.e., signed agreements) by the ILECs to each Advanced Services affiliate (excluding Interconnection Agreements) during the Engagement Period. Based upon the written agreements obtained, prepared a list of services offered by the ILECs to the Advanced Services affiliates (excluding Interconnection Agreements) during the Engagement Period. Compared this list to the listing of services obtained in Objective I, Procedure 5. Noted no exceptions. Determined that all services included in the written agreements obtained above were offered through written agreements.
2. Obtained a list of all agreements (e.g., written agreements, affiliate agreements, etc., excluding Interconnection Agreements) signed during the Engagement Period between the ILECs and the Advanced Services affiliates and between the ILECs and unaffiliated companies, separately for each state. SBC has represented that billing and collection ("B&C") agreements are the only type of agreements that meet the criteria of this procedure. Compared rates, terms and conditions for twenty unaffiliated B&C agreements to the agreement offered to ASI and documented the differences noted at Attachment A-10.

Five SWBT, five Pacific Bell, five Nevada Bell and five SNET unaffiliated company billing and collection agreements were randomly selected for comparison to the ASI B&C agreements.

Noted that AADS did not have any B&C agreements with the ILECs.

3. Obtained a list of each occurrence of a CLEC request to opt-in ("MFN") to an Interconnection Agreement with an Advanced Services affiliate and noted three requests during the Engagement Period. Noted that Communications requested to opt-in to the terms of ASI's Oklahoma DSL appendix and the rates from ASI's Ohio DSL appendix into an Indiana Interconnection Agreement. During the negotiation process, Communications changed its request and opted to enter into the 13-state generic Interconnection Agreement using the applicable Indiana rates. Noted that Communications requested to opt-in to ASI's Arkansas Interconnection Agreement and Communications requested to opt-in to ASI's Nevada Interconnection Agreement. Compared the rates, terms and conditions of Communications' and Communications' MFN agreements to ASI's agreements and noted no differences.

4. Compared the rates, terms and conditions charged to each Advanced Services affiliate for access to UNEs to those charged to other Advanced Services providers as performed below:
 - a. Selected two months randomly for testing: April and December 2000 for AADS and June and September 2000 for ASI. Obtained a listing of all UNE invoices from the ILECs to the Advanced Services affiliates for the selected months. Judgmentally selected and obtained one invoice from each month from each ILEC to each Advanced Services affiliate (16 total invoices for the Advanced Services affiliates).
 - b. Obtained a listing of USOCs for UNEs billed by the ILECS to the Advanced Services affiliates. Obtained USOCs by ILEC and by state for each Advanced Services affiliate.
 - c. Obtained a listing of other Advanced Services providers buying the same USOCs obtained in (b) above from the ILECs. Randomly selected three Advanced Services providers per ILEC.
 - d. Obtained a copy of one invoice for each sampled month for each sampled Advanced Services provider. Compared the terms and conditions on these invoices to the terms and conditions on the Advanced Services affiliate sampled invoices obtained in (a) above. Noted no exceptions.
 - e. Selected five (or all if less than five) comparable USOCs from the Advanced Services affiliates' and other Advanced Services providers' invoices obtained in (a) and (c) above. Compared the rates charged for the selected USOCs.
 - f. Noted, in Attachment A-11, the following differences in the comparison performed in (e) above.
 - For ASI, identified 21 occurrences of 12 comparable USOCs between ASI and selected CLECs. Of the 12, eight USOCs had rate variances.
 - For AADS, identified five comparable USOCs between AADS and the selected CLECs. Variances were noted for four of the five USOCs compared.
 - SBC explained the differences as due to differing rates negotiated by CLECs, zone-based rate differences and billing errors.
5. For the invoices selected in Procedure 4 above, traced the amount invoiced for access to UNEs to each Advanced Services affiliate and noted that the amount invoiced was the amount recorded by the ILEC and paid by each Advanced Services affiliate. For this purpose, inspected the method of payment corresponding to the amount paid. Noted no differences.

Paragraphs 3 and 4 – SBC/Ameritech Merger Conditions – Separate affiliate for Advanced Services.

1. Inquired whether the ILECs provided B&C services to the Advanced Services affiliates and documented that SWBT, Pacific Bell, Nevada Bell and SNET offered B&C services to an Advanced Services affiliate pursuant to written agreements. Identified and documented the B&C categories and elements offered as follows:

Noted that B&C categories and/or elements offered through the SWBT, Pacific Bell and Nevada Bell B&C agreements with ASI are master file maintenance, account data maintenance, message data transmission, bill rendering, payment and remittance processing, treatment, denial of service, collection, inquiry support service, bill format, message investigation center and billing information.

Noted that the elements offered through the SNET agreement with ASI are bill processing per message, bill processing per bill rendered, receipt of rated customer message and data retention.

SBC represented that AADS did not obtain B&C services from the Ameritech ILECs during the Engagement Period.

Noted no difference between the prior and current Engagement Period for the inquiries covered in this procedure, except that SNET did not have a standard B&C agreement executed with ASI in 1999.

2. For the four ILECs that offered billing and collection services to an Advanced Services affiliate during the Engagement Period, obtained the written agreements in effect during the Engagement Period. The billing and collection categories and/or elements offered by the ILECs are listed above; see Paragraphs 3 and 4, Objective 1. The written agreements for SWBT, SNET, Pacific Bell and Nevada Bell, detailing the billing categories, elements and rates, are posted on the Internet at:

<http://www.sbc.com/PublicAffairs/PublicPolicy/Regulatory>

3. For the Engagement Period, discussed with management of the Advanced Services affiliates and each ILEC the procedures to ensure all purchases of Advanced Services Equipment, including associated software, are recorded on the books of the Advanced Services affiliate, and documented such procedures as follows:

Through inquiry, documented that, as of the end of the Engagement Period, ASI and AADS had project accounting systems in place which were designed to properly record the purchase of Advanced Services

Equipment on the books of the Advanced Services affiliates. The project accounting system is driven by the initial designation of an ASI or AADS responsibility code ordered ("RCO") code for all purchases or projects requested by ASI or AADS. The RCO code must be assigned for all orders at the time the purchase or project is authorized. Once assigned, this unique RCO code directs all incurred charges and costs to the Advanced Services affiliates' books.

Purchasing of Advanced Services Equipment may also occur through SBC's purchasing card process or general procurement process. ASI and AADS employees' authority to order and/or approve purchases through these systems is restricted to ASI or AADS purchases. Controls are in place on ASI and AADS personnel limiting their access to only ASI and AADS account codes.

For ASI projects initiated prior to the implementation of ASI's project accounting system in April 2000, all ASI projects and purchases were processed through the ILECs' project accounting system using the Custom Work Order ("CWO") process. For purchases made through the CWO process, ASI made a prepayment at the first of each month to the ILECs for all budgeted purchases to be made on their behalf during the month. Each month a reconciling entry was made to eliminate the ASI purchase from the ILECs' accounts and record the actual purchase amounts to the books of ASI.

- a. From the fixed asset listing obtained in Objective I, Procedure 7 (c), randomly selected 100 purchases of Advanced Services Equipment by the Advanced Services affiliates. For the selected items, reviewed documentation that demonstrated that the Advanced Services affiliate purchased this equipment. For the selected items, noted the following:
 - 11 items sampled were Advanced Services Equipment transferred from the ILECs to ASI during the transition period, and are included in the testing performed in Objectives V, VI, Procedure 14 (d).
 - 19 items sampled were purchased by ASI under the CWO process described above.
- b. Performed the following for each of the three ILECs: SWBT, Illinois Bell and Pacific Bell:

Inquired and documented, in the table below, the Field Reporting Codes ("FRC") codes which are used to record the following equipment types in the ILEC continuing property records: DSLAMs,

spectrum splitters, packet switches, multiplexers. ATM switches. Frame Relay switches, modems and DACS frames.

Table 8

FRC Codes	Description
157C	Circuit Equipment-Digital Data Systems
257C	Circuit Equipment-Digital Loop Electronics
357C	Circuit Equipment-Other Digital Circuit Equipment
377C	Digital Electronic Switching
577C	Digital Electronic Switching – Pacific Bell

- i) Obtained a list of all central offices and remote terminals ("RT") within the city limits of each of the following cities: St. Louis, Missouri; Chicago, Illinois; San Francisco, California. From the list, randomly selected the following three central offices or remote terminals per city.

Table 9

City	Address	Type
Chicago		
	1284 W. North Avenue	RT
	2800 S. Ashland Avenue	RT
	1727 S. Indiana Avenue	RT
St. Louis		
	515 N. 6 th Street	RT
	1925 Chouteau	RT
	300 S. Broadway	RT
San Francisco		
	750 Kearny	RT
	1 Maritime Plaza FL 27 Cooley Godward	RT
	180 Howard Int'l Engr. Co.	RT

- ii) For each selected central office/remote terminal, obtained a list of all equipment purchased, or placed in service, during the Engagement Period for that central office/remote terminal.

- iii) Selected all equipment purchased or placed in service during the Engagement Period from the list provided by SBC. Also noted the following:

Chicago

SBC represented that there was no equipment purchased or placed in service during the Engagement Period for 2800 S. Ashland Avenue and 1727 S. Indiana Avenue. The list documented that the only equipment purchased or placed in service during the Engagement Period at 1284 W. North Avenue was a Litespan 2000.

St. Louis

SBC represented that there was no equipment purchased or placed in service during the Engagement Period for 1925 Chouteau and 300 S. Broadway. The only equipment purchased or placed in service during the Engagement Period at 515 N. 6th Street was DSX cables and a DSX1 panel.

San Francisco

SBC represented that there was no equipment purchased or placed in service during the Engagement Period for any of the three remote terminals selected.

- iv) Reviewed and obtained documentation that the equipment selected above was not Advanced Services Equipment by reviewing the associated equipment orders and project undertaking documentation. Noted from review of the list obtained above that in both cases the equipment was used to increase DS1 requirements.
- c. Obtained from the ILECs and Advanced Services affiliates their policy for capitalizing versus expensing Advanced Services Equipment.
 - d. Randomly selected the months of August 2000 and November 2000 and obtained ILEC expense detail for FRC codes and corresponding expense accounts to which Advanced Services Equipment could have been charged. The FRC codes included in the expense listings were the same as those listed in Table 8 above, except the "C" construction designation was replaced with "R" for repairs or "M" for maintenance. For the judgmental sample of 30 expense items selected by the Users, reviewed purchase orders, other purchase authorization documents, invoices or system-generated reports which provided descriptions of the nature of the expenses selected. Determined that one item tested was an ASI project accounting purchase that was processed through

Pacific Bell, via the CWO process. Traced the subsequent reclassification of this expense to ASI via the monthly project accounting entry. Noted that the remaining 29 items selected were not purchases of Advanced Services Equipment.

4. Obtained the ILECs' policies and procedures for the sales forces' taking of Advanced Services customer orders (wholesale or retail) and forwarding those orders to the Advanced Services affiliates. Obtained and inspected the training materials provided to ILEC sales representatives for taking and placing Advanced Services orders. Inquired and documented that all ILEC sales representatives received training on the proper procedures to be used to take an order, and that placement by the ILEC of any necessary provisioning service orders is prohibited.
5. Performed the following procedures relating to customer accounts:
 - a. Inquired and documented, as noted below, the number of Advanced Services customer accounts that have been transferred to the Advanced Services affiliates during the Engagement Period, and the dates of transfer. Using the guidelines in Paragraph 6 of the Merger Conditions and the dates represented by SBC that the Advanced Services affiliates became the provider of record, by jurisdiction, in each state, noted that the dates represented by SBC indicated that customer account transfers were effected in each state within the required time period, and noted that SBC disclosed in its Annual Compliance Report filed March 15, 2001 that not all customers were transferred timely.

Table 10

ILEC	State	Number of Customer Accounts	Date of Transfer from ILEC to Advanced Services Affiliate
Ameritech	Illinois		June 1, 2000
	Indiana		June 1, 2000
	Michigan		June 1, 2000
	Ohio		June 1, 2000
	Wisconsin		June 1, 2000
Nevada Bell	Nevada		April 2, 2000
Pacific Bell	California		June 3, 2000
SWBT	Arkansas		February 11, 2000
	Kansas		February 17, 2000
	Missouri		March 8, 2000
	Oklahoma		March 6, 2000
	Texas		March 24, 2000
Total			

- b. Inquired and documented that the transferred customer accounts were either on a month-to-month arrangement or subject to term contracts. Noted, per review of the documentation obtained from SBC, that SBC did not separate the average monthly revenues between month-to-month arrangements and term contracts. The average monthly revenues for month-to-month arrangements and term contracts combined were
- c. Inquired and documented that the monthly revenues annualized for all customers transferred were
- d. Inquired and documented that the amount at which these accounts were valued in transferring to the Advanced Services affiliates was per account.
- e. Inquired and documented the methodology used in valuing these accounts as follows:

SBC represented that it used the following principles in valuing the customer accounts transferred from the ILECs to the Advanced Services affiliates:

- Attempted to follow Part 32.27 of the Commission's rules
- Complied with the SBC/Ameritech Appendix C, Merger Conditions, Paragraph 3, "Section 272 Requirements for the Separate Advanced Services Affiliates," which applies "272-like" requirements to these affiliates
- Complied with appropriate portions of Section 272 of the Telecommunications Act, such as Section 272(b)(5), which states that transactions shall be performed at an "arm's length" between affiliate and telephone company
- Followed GAAP to avoid creating new income and new assets on SBC's consolidated books
- Minimized any tax impacts upon SBC
- Minimized any rate base impacts in both the federal or state jurisdictions
- Valued the customer accounts at a method that could be considered as valued at "going-concern"
- Maintained controls on costs to perform the valuation

SBC represented that the Advanced Services customer accounts were valued based upon available guidance in GAAP and the FCC's Rules regarding asset transfers between the ILEC and the affiliate. In particular, SBC represented that Part 32.27 of the FCC's Rules was utilized to value the customer accounts, which states that assets transferred from the ILEC to the affiliate shall be transferred at the higher of FMV or NBV.

In order to obtain an FMV of the customer accounts, SBC represented that it sought advice from an independent third party ("third party") to determine the FMV of the customer accounts. SBC represented that the third party advised that nearly any value, including zero, could be considered reasonable and appropriate. Nonetheless, SBC believed that it was necessary to develop a value based upon the principle of "going concern," greater than zero, as the result of an arm's length transaction, whereupon customer accounts were transferred to the Advanced Services affiliates from the ILECs.

Without revealing specific details or company names, the third party provided several examples of transactions that identified values representative of accounts of "broadband" customers in similarly situated businesses across all broadband product lines. Based upon the information provided, SBC selected a value to use derived from a situation involving a transfer for a number of customer accounts that most closely matched the transfer of _____ accounts from the ILECs to the Advanced Services affiliates. The value selected was _____ per customer account.

SBC represented that the third party was asked to provide information regarding the value placed upon customer accounts during similar transfers of businesses involving broadband customers. The information provided that summarized the third party's research of such transactions was made available to SBC.

- f. Tested and determined that the calculations were performed using _____ per customer as determined by SBC and as described in step (e) above. Noted the number of customer accounts at Pacific Bell and Nevada Bell in Table 10 to which the _____ was applied was incorrect.
- 6. Inquired and documented SBC's response that the ILECs did not transfer to the Advanced Services affiliates a facility that was deemed to be an unbundled network element under 47 U.S.C. Section 251(c)(3) during the Engagement Period.
- 7. Documented that Operations, Installation & Maintenance ("OI&M") services were offered to the Advanced Services affiliates by the ILECs under affiliate agreements. The affiliate agreements for all OI&M services are posted on the SBC web site at <http://www.sbc.com/PublicAffairs/PublicPolicy/Regulatory>.

SBC represented that no OI&M services were provided by the ILECs to AADS during the Evaluation Period.

SBC indicated that the following services were offered to ASI during the Evaluation Period.

Table 11

OI&M Provided	SBWT	Pacific Bell	Nevada Bell	SNET
OI&M Associated with Collocation Equipment in Physical Collocation Space	Yes	Yes	Yes	Yes
DSL CPE Ordering, Provisioning & Maintenance	Yes	Yes	Yes	Yes
OI&M Associated with Merger Order	Yes	Yes	No	No
Network Monitoring & Surveillance	Yes	Yes	Yes	Yes
Installation and Maintenance for Wide Area Network Services	Yes	Yes	Yes	Yes
Temporary Projects	Yes	Yes	No	Yes

8. On a state-by-state basis, inquired and documented which of the following services noted in Procedures (a)-(f) below were provided from the ILECs to the Advanced Services affiliates, and the dates provided. In addition, inquired and documented which services were provided after the transition period as follows:
- a. Determining where, when and how much Advanced Services Equipment needs to be deployed to meet forecasted customer demands, and ensuring equipment compatibility with interconnection services.

Table 12

ILEC	State	Period Provided
Pacific Bell	California	January 1, 2000 to April 5, 2000
Nevada Bell	Nevada	January 1, 2000 to April 5, 2000
SNET	Connecticut	January 1, 2000 to March 15, 2000

In California, Nevada and Connecticut, SBC represented that ASI established its own planning functions prior to the end of the transition period.

In Arkansas, Kansas, Oklahoma, Missouri and Texas, SBC represented that ASI utilized its own planners during the Engagement Period.

SBC represented that AADS conducted separate operations for any forecasting demands required to determine the amount and dates needed for deploying Advanced Services Equipment during the Engagement Period.

b. Arranging for purchase of Advanced Services Equipment.

Table 13

ILEC	State	Period Provided
Nevada Bell	Nevada	January 1, 2000 to April 5, 2000
Pacific Bell	California	January 1, 2000 to April 5, 2000
SNET	Connecticut	January 1, 2000 to April 5, 2000
SWBT	Arkansas, Kansas, Oklahoma, Missouri and Texas	January 1, 2000 to April 5, 2000

Noted through inquiry that after April 5, 2000, ASI arranged for its own purchases of Advanced Services Equipment.

SBC represented that AADS arranged for the purchase of Advanced Services Equipment during the Engagement Period.

c. Arranging and negotiating for collocation space, and arranging for any new Advanced Services Equipment to be delivered.

Table 14

ILEC	State	Period Provided
Nevada Bell	Nevada	January 1, 2000 to February 29, 2000
Pacific Bell	California	January 1, 2000 to February 29, 2000
SNET	Connecticut	January 1, 2000 to April 5, 2000

ILEC	State	Period Provided
SWBT	Arkansas, Kansas, Oklahoma, Missouri and Texas	January 1, 2000 to February 29, 2000

Effective January 25, 2000, SBC represented that California and Nevada requests for collocation space were placed via the collocation process, which required a completed application and appropriate fees, submitted to the Collocation Service Center.

Effective February 15, 2000, SBC represented that Connecticut requests for space were placed via the collocation process. Those requests placed prior to February 15, 2000 were considered "pipeline" jobs, or surrogate jobs, and completion was expected to occur within six months.

Effective January 25, 2000, SBC represented that Arkansas, Kansas, Oklahoma, Missouri and Texas requests for space were placed via the collocation process. Those requests placed prior to January 25, 2000 were considered "pipeline" jobs and were treated as such.

Prior to January 1, 2000, SBC represented that AADS completed the appropriate collocation applications required on the part of the ILEC. Since AADS had been a separate organization of the Ameritech region, it was placing these requests well ahead of the period identified. These applications contained the requested space and amount of equipment to be added to the space once it was determined the space was available. AADS made its own arrangements to have the purchased equipment delivered to the respective central offices.

- d. Inventorying the Advanced Services Equipment deployed.

Table 15

ILEC	State	Period Provided
Nevada Bell	Nevada	January 1, 2000 to April 5, 2000
Pacific Bell	California	January 1, 2000 to February 29, 2000
SNET	Connecticut	January 1, 2000 to February 29, 2000

ILEC	State	Period Provided
SWBT	Arkansas, Kansas, Oklahoma, Missouri and Texas	January 1, 2000 to February 29, 2000

SBC represented that ASI used a process called the Equipment Inventory Update Form ("EIU"). This form was filled out by the ASI engineers and submitted to the equipment inventory group of the ILEC. After the period noted above, these forms were submitted to a group within ASI (ASI CPC) for the purpose of maintaining record inventory and circuit assignment.

During the Engagement Period, SBC represented that AADS provided the EIU forms to the AADS equipment inventory work group for obtaining and maintaining the separate records for Advanced Services Equipment deployed.

- e. Designing the customer's Advanced Service, including i) identification of Advanced Services network components, UNEs, telecommunications services and work activities necessary to provision the Advanced Service, ii) determination of the routing of the Advanced Service and location(s) of the Advanced Services network components and iii) creation of a work order.

Table 16

ILEC	State	Period Provided
Nevada Bell	Nevada	January 1, 2000 through April 5, 2000
Pacific Bell	California	January 1, 2000 through April 5, 2000
SNET	Connecticut	January 1, 2000 through March 15, 2000
SWBT	Arkansas, Kansas, Oklahoma, Missouri and Texas	January 1, 2000 through April 5, 2000

SBC represented that ASI utilized the ASI Circuit Provisioning Center ("CPC") for the purpose of the design, routing and creation of any Work Order Record Detail ("WORD"). These WORD documents were then transmitted by the CPC for distribution. These records provided for the detail necessary for the establishment of a customer work record.

SBC represented that AADS provided for all of the design of Advanced Services Equipment placed in the central office prior to January 1, 2000. This design included any work activities incurred for the purpose of provisioning, routing and optioning of such equipment.

- f. Assignment of the Advanced Services Equipment required.

Table 17

ILEC	State	Period Provided
Nevada Bell	Nevada	January 1, 2000 through April 5, 2000
Pacific Bell	California	January 1, 2000 through April 5, 2000
SNET	Connecticut	January 1, 2000 through April 5, 2000
SWBT	Arkansas, Kansas, Oklahoma, Missouri and Texas	January 1, 2000 through April 5, 2000

SBC represented that ASI had a Planning Engineering work group. Maintenance and tracking of the accuracy of these records were transferred to the ASI CPC work group. The ASI CPC used these records in its equipment assignments.

SBC represented that during the Engagement Period, assignments of collocated equipment were done by AADS for the purpose of controlling capacity management of its own Advanced Services Equipment.

9. Inquired and documented that during the Engagement Period, employees of Advanced Services affiliates were located in some of the same buildings as the employees of the ILECs. Obtained and inspected copies of training materials provided to all SBC employees, used to require that transactions between the ILECs and the Advanced Services affiliates be conducted on a nondiscriminatory basis, including those ILEC employees working in the same buildings as employees of the Advanced Services affiliates. Noted that the training materials addressed the requirements that employees of the Advanced Services affiliates must use only the same OSS systems, processes and procedures that are available to unaffiliated entities. In addition, the training materials included topics such as: nondiscriminatory treatment of the Advanced Services affiliate, arm's length transaction rules between the Advanced Services affiliates and the ILECs and information sharing between the ILECs and the Advanced Services affiliates. Noted that employees of both the Advanced Services affiliates and the ILECs that

have interaction with each other have received the relevant training including the requirement for ILEC employees to communicate with the Advanced Services affiliates in the same manner used to communicate with unaffiliated entities.

10. Obtained the policies and procedures followed by the ILECs when an ILEC customer calls to report trouble that may affect Advanced Services.

Inquired of ILEC management if, when and how trouble reports are transferred to the Advanced Services affiliates.

Based on information provided by the ILEC, noted that if a customer calls an ILEC to report trouble with Advanced Services and it is determined that the problem is a "data" only problem, the customer is instructed to contact their DSL service provider. The ILEC will provide the DSL service provider's phone number to the customer if the DSL service provider has applied for the "cold transfer" service; if not, the ILEC suggests the customer look at flyers, directories or monthly billings for the DSL service provider's phone number. From the information obtained, noted that "cold transfer" service is not offered by Ameritech.

If it is determined that the problem is a "voice" and "data" problem, the ILEC will inform the customer that they will fix the "voice" problem, and this will most likely correct the "data" problem as well. If after the "voice" problem is fixed, the "data" problem still exists, the ILEC will instruct the customer to contact their DSL service provider.

Noted through inquiry that such trouble report referral was available to unaffiliated Advanced Services providers on a nondiscriminatory basis by checking the Accessible Letters posted on the CLEC web site at <https://clec.sbc.com>. The trouble report referral was made available to unaffiliated Advanced Services providers on October 5, 2000.

11. Inquired and documented SBC's response that the ILECs did not use an electronic system to transfer trouble reports to the Advanced Services affiliates during the Engagement Period.
12. Observed and obtained the policies and procedures followed by the ILEC when the customer contacting the ILEC is not a customer of the ILEC, but contacts the SBC ILEC to report a trouble affecting an Advanced Service. Documented that such policies and procedures included steps to (1) discover the identity of the Advanced Services provider; (2) refer the customer to the customer's Advanced Services provider, if known, for resolution of the trouble; and (3) prevent the ILEC from using the information obtained as a result of the transfer for any marketing or sales purpose.

13. Inquired and documented the following responses from SBC:

- a. SWBT, Pacific Bell, Nevada Bell and SNET arranged for the performance of installation of Advanced Services Equipment from January 1, 2000 through April 5, 2000 for ASI. These services were provided under affiliate agreements. The affiliate agreements were posted on the SBC web site. After April 5, 2000, ASI arranged for installation of Advanced Services Equipment.

AADS provided for its own installation of Advanced Services Equipment during the Engagement Period.

- b. During the Engagement Period, both ASI and AADS contracted with third-party vendors for connection of Advanced Services Equipment items in virtual collocation space.
- c. During the Engagement Period, both ASI and AADS contracted with third-party vendors for connection of Advanced Services Equipment items in physical collocation space.
- d. During the Engagement Period, both ASI and AADS contracted with third-party vendors for connection of various network components and services utilized to provision the customers' Advanced Services. AADS also provided its own logical connections during the Engagement Period.
- e. SWBT, Pacific Bell, Nevada Bell and SNET tested physical circuits for ASI during the Engagement Period, and tested logical circuits for ASI until April 5, 2000. After April 5, 2000, ASI provided for all logical circuit testing. The physical circuit testing services were provided by the ILECs under ASI's Interconnection Agreement, and the logical circuit testing services were provided under affiliate agreements which were posted to the SBC web site. During the Engagement Period, AADS performed its own testing of circuits.
- f. SWBT provided installation and testing of customer premise equipment ("CPE") at customer premises for ASI until June 15, 2000 under affiliate agreements. Pacific Bell provided installation and testing of CPE at customer premises for ASI from May 29, 2000 to June 3, 2000 under affiliate agreements. ASI performed installation and testing of CPE at customer premises on its own behalf from May 2000 through the end of the Engagement Period. AADS arranged for installation and testing of CPE at customer premises by vendors during the Engagement Period.

Paragraphs 5 and 6 – SBC/Ameritech Merger Conditions – Separate affiliate for Advanced Services.

1. Obtained copies of state filings and associated approvals to offer Advanced Services through a separate affiliate. Obtained copies of filings of tariff changes to terminate offerings of Advanced Services by the ILECs.
 - a. Documented, as listed in Attachment A-12, the filing, approval and effective dates for all required state certifications, tariffs, Interconnection Agreements and asset transfer approvals. Noted that asset transfer approval filings were not required by the states of Arkansas, Illinois, Indiana, Kansas, Michigan, Nevada, Ohio, Oklahoma, Texas and Wisconsin. Noted that Advanced Services certification filing was not required by the state of Michigan. Also noted that Advanced Services tariff filings were not required in the states of Michigan, Nevada or Wisconsin.
 - b. Obtained the list of all Advanced Services provided by the ILECs at the Merger Closing Date and compared this listing to the new tariffs and/or contracts of the Advanced Services affiliates. The listing of Advanced Services provided and the differences noted in the above comparison are shown in Attachment A-13.
 - c. From the copies of the Interconnection Agreements obtained above, determined and documented when each Advanced Services affiliate's Interconnection Agreement was approved in each state. The approval and effective dates for each agreement are documented in Attachment A-12.
- 1). Obtained copies of the interstate tariff withdrawal requests submitted to the FCC by the ILECs and determined the dates filed and the dates when the interstate tariffs were actually withdrawn. The table below documents these dates.

**Filing and Effective Dates of Interstate Tariff
Withdrawals Filed by the ILECs**

Table 18

State	ILEC	Filing Date	Effective Date
Arkansas	SWBT	November 9, 1999	December 4, 1999
California	Pacific Bell	March 22, 2000	April 6, 2000
Connecticut	SNET	January 26, 2000	February 10, 2000
Illinois	Illinois Bell	October 12, 1999	October 27, 1999
Indiana	Indiana Bell	October 12, 1999	October 27, 1999
Kansas	SWBT	January 21, 2000	February 17, 2000

State	ILEC	Filing Date	Effective Date
Michigan	Michigan Bell	October 12, 1999	October 27, 1999
Missouri	SWBT	December 16, 1999	January 12, 2000
Nevada	Nevada Bell	February 15, 2000	March 11, 2000
Ohio	Ohio Bell	October 12, 1999	October 27, 1999
Oklahoma	SWBT	January 3, 2000	January 27, 2000
Texas	SWBT	January 12, 2000	February 6, 2000
Wisconsin	Wisconsin Bell	October 12, 1999	October 27, 1999

- 2). Based on the information obtained and documented in Attachment A-12, determined and documented, by state, the date when all necessary certifications, authorizations and/or approvals to provide new activations of an Advanced Service for intrastate service were obtained. Compared the later of the effective dates of the Advanced Services affiliates' state certification, Interconnection Agreement or intrastate tariff to the filing date of the ILEC's intrastate tariff withdrawal, as documented in the table below.

**Comparison of Advanced Services Affiliates Approval Dates and
ILEC Intrastate Tariff Withdrawal Dates**

Table 19

State	Later of Certification, Interconnection Agreement or Advanced Services Affiliate Tariff Effective Date	ILEC Intrastate Tariff Withdrawal Filing Date
Arkansas	February 12, 2000	October 13, 1999
California	May 19, 2000	October 14, 1999
Connecticut	March 9, 2000	October 15, 1999
Illinois	January 3, 2000	October 12, 1999
Indiana	After December 31, 2000	October 12, 1999
Kansas	January 19, 2000	October 13, 1999
Michigan	September 29, 1999	October 12, 1999
Missouri	March 1, 2000	October 13, 1999
Nevada	May 23, 2000	Not Required
Ohio	November 16, 1999	Not Required
Oklahoma	February 7, 2000	October 12, 1999
Texas	January 7, 2000	October 13, 1999
Wisconsin	November 18, 1999	October 12, 1999

Also, obtained copies of the Advanced Services intrastate tariff withdrawal requests filed by the ILECs in each state and determined that all required intrastate tariff withdrawals were filed by the ILECs within seven days of the Merger Closing Date, which was prior to the effective date of all necessary state certifications. From the copies obtained, documented the ILEC intrastate tariff withdrawal effective dates shown below.

**Filing and Effective Dates of Intrastate Tariff Withdrawals
Filed by the ILECs**

Table 20

State	Company	Filing Date	Effective Date
Arkansas	SWBT	October 13, 1999	March 13, 2000
California	Pacific Bell	October 14, 1999	June 3, 2000
Connecticut	SNET	October 15, 1999	November 14, 1999
Illinois	Illinois Bell	October 12, 1999	November 27, 1999
Indiana	Indiana Bell	October 12, 1999	October 27, 1999
Kansas	SWBT	October 13, 1999	February 17, 2000
Michigan	Michigan Bell	October 12, 1999	October 27, 1999
Missouri	SWBT	October 13, 1999	March 8, 2000
Nevada	Nevada Bell	Not Required	Not Required
Ohio	Ohio Bell	Not Required	Not Required
Oklahoma	SWBT	October 12, 1999	March 8, 2000
Texas	SWBT	October 13, 1999	March 24, 2000
Wisconsin	Wisconsin Bell	October 12, 1999	November 26, 1999

- d. Inquired and documented at Attachment A-14 the Interconnection Agreements between the ILECs and the Advanced Services affiliates that were amended in any state during the Engagement Period. Also, inquired and noted a summary description of the changes in each such amended Interconnection Agreement.
2. For the Ameritech States, reviewed the ILECs' Advanced Services USOC codes. Reviewed the Ameritech ILECs' Revenue Report L444797 from the Mentor revenue reporting system for general ledger account 5083 – Special Access Revenue, which listed revenue by product description for the months of June through December 2000, and noted instances where Advanced Services revenue was recorded on the books of the Ameritech ILECs. SBC provided the following explanation as to why Ameritech ILECs continued to record Advanced Services revenues during the Engagement Period.

SBC Explanation

To facilitate the conversion of Frame Relay service from the ILECs to AADS in 2000, customer circuits were automatically transferred from the ILECs' circuit provisioning system to AADS. However, billing for each Frame Relay circuit was disconnected manually by the Ameritech ILECs and customers' billing information was manually input into the AADS billing system. Subsequently, it was discovered that during the Engagement Period, the ILECs continued to record revenues for certain Frame Relay USOCs. Upon review, SBC determined that these USOCs were likely billed in error at the ILECs in cases where the automatic conversion of the circuit from the ILECs to AADS was not matched with a corresponding manual disconnection of the billing. Consequently, while the revenue accounts at the ILECs may have indicated continued billing, no underlying service was furnished by the ILECs.

- a. Documented, through inquiry and SBC representation, the following USOC codes used for xDSL services: MB27Z and MB281. Using these USOCs, performed queries of the Ameritech Customer Information System ("ACIS") billing system for orders of xDSL Advanced Services by the ILECs during the Engagement Period. Based on the query results, noted no xDSL orders placed by the ILECs during the Engagement Period.
- b. Documented, through inquiry and SBC representation, the USOC codes for non-xDSL services used by the Ameritech ILECs, as listed in the table below.

Table 21

Recurring and Nonrecurring Frame Relay Class of Service Codes			
CABS and ACIS			ACIS Only USOCs
CS Code	PSPEED	NC Code	
X1UAX	UN9NX	XHAR	LXK9X
X1UBX	UN9QX	XDAR	LXKAX
X1UDX	UN9BX	HXZB, HXGB	LXK BX
X1UFX	UN9DX	HXZD, HXGD	LXK CX
X1UHX	UN9EX	HXZF, HXGF	LXK DX
X1UNX	UN9JX	HCER	LXK EX
X1UPX	UN93X	HF-D	LXK GX
X1UAX	UNW5X	XHAR	LXK HX
X1UBX	UNWOX	XDAR	LXK JX

Recurring and Nonrecurring Frame Relay Class of Service Codes			
CABS and ACIS			ACIS Only USOCs
CS Code	PSPEED	NC Code	
X1UNX	UNW7X	HCER	LXKMX
X1UPX	UNW8X	HF-D	LXKNX
X1NAX	NN9NX	XHAR	LXKOX
X1NBX	NN9QX	XDAR	LXKPX
X1NNX	NN9JX	HCEO	LXKQX
X1NPX	NN93X	HF-E	LXKRX
X1NAX	NNH5X	XHAR	LXKSX
X1NBX	NNHOX	XDAR	LXKTX
X1NNX	NNH7X	HCEO	LXKUX
X1NPX	NNH8X	HF-E	LXKVX
FCCUY	UNW5X		LXKWX
FCCUY	UNWOX		LXKXX
FCCUH	UNW7X		LXKYX
FCCUZ	UNW8X		LXKZX
FCCNY	NNH5X		LXQAX
FCCNY	NNHOX		LXQBX
FCCNH	NNH7X		LXQCX
FCCNZ	NNH8X		LXQDX
			LXQEX
			LXQFX
			LXQGX
			LXQHX
			LXQJX
			LXQKX
			LXQLX
			LXQMX
			LXQNX

Using these USOCs, performed queries of the Ameritech ILECs' Carrier Access Billing System ("CABS") and ACIS billing system for orders of non-xDSL Advanced Services by the ILECs during the Engagement Period. The CABS queries were performed for every month of the Engagement Period. The ACIS queries were performed for the months of May, August and November 2000. Based on the query results, noted 11

non-xDSL activation orders placed by the ILECs during the Engagement Period. SBC represented that of the activations occurred in error and were transferred to AADS in March and April 2000. SBC also represented that new activations were billed accounts - activation account cannot be located and activation account appears to have DSL activity only.

- c. Using the USOCs in Table 21 above, performed queries as of May 1, 2000 of the Ameritech ILECs' CABS and ACIS billing systems to obtain a list by state of Advanced Services non-xDSL customers. From the listing obtained, selected a random sample of 100 customers, identified the sampled customers' new AADS circuit identifications ("circuit ID") assigned by the Remedy system and compared the sampled customers to the July 2000 (270 days after the Merger Closing Date or July 4, 2000) AADS billing summary from the Kenan-Arbors billing system. From the query results, documented that of the selected customers appeared on AADS's Kenan-Arbors July 2000 billing report. SBC has provided the following explanations for the remaining customers not appearing on AADS billing records in July 2000:

- customers were assigned new AADS circuit IDs by Remedy but were not yet transferred to the Kenan-Arbors billing system;
- customers were assigned new AADS circuit IDs and appear in the Kenan-Arbors system in July 2000, but were not on the July 2000 billing summary from the Kenan-Arbors billing system;
- customers were billed in AADS's Kenan-Arbors system in July 2000 under their old ILEC circuit ID;
- customers disconnected and were not converted;
- customer could not be located in AADS's Kenan-Arbors system and did not have a new AADS circuit identification assigned by Remedy.

SBC indicated that delays were experienced between the actual customer transfer out of the ILEC and the initial billing of the transferred customers by AADS due to reassignment of circuit identifications.

3. For the SBC States, reviewed the ILECs' Advanced Services USOC codes. Reviewed the revenue accounts of SWBT, Pacific Bell and Nevada Bell and noted instances where Advanced Services revenue was recorded on the books of all three ILECs. Revenue accounts were not reviewed for SNET since embedded base customers within SNET were not transferred during the Engagement Period. Revenue accounts were reviewed as follows:

- Pacific Bell and Nevada Bell – Reviewed the USOC Billed Detail Reports for general ledger account 5083 – Special Access Revenue for the months of

June through December 2000 for Pacific Bell and February through December 2000 for Nevada Bell.

- SWBT – Reviewed SWBT provided queries of the CRIS and CABS revenue systems, by USOC, for general ledger account 5083 – Special Access Revenue, for the Engagement Period.

SBC provided the following explanation as to why the ILECs continued to record Advanced Services revenues during the Engagement Period.

SBC Explanation

The individual customer records for most Advanced Services were transferred from the ILECs to the Advanced Services affiliates by means of an automated process known as a Mechanized Order Generator (“MOG”). Customer records were identified for transfer based on the characteristics of the circuits in service. The MOG was then executed to create service orders to extract circuits meeting the specified criteria from the ILECs’ systems and to create corresponding billing and circuit records in the Advanced Services affiliate’s systems. In limited instances, the circuit detail at the ILECs did not meet the criteria established for the MOG, which resulted in the MOG bypassing the circuit. Consequently, the customer record was not converted, and revenues were recorded on the ILECs’ books until the account was identified and converted through manual procedures. These clean-up procedures were ongoing throughout the Engagement Period.

In addition, for Advanced Services previously provided by the ILECs and billed through CABS, the ILECs recorded the revenues for these services through CABS until April 2000, at which time ASI’s billing system became functional. Until April 2000, these revenues were reversed from the ILECs’ books and were accrued at ASI via manual transactions for those states in which ASI had obtained final approvals.

- a. Documented, in Attachment A-15, the USOCs used for all Advanced Services by the ILECs in the SBC States. Obtained a query from ASI for all new activation orders during the Engagement Period. Reviewed the query development and procedures with ASI personnel. From the listing of new activation orders produced by the query, randomly selected 100 new activation orders and inspected billing records of the ILECs and ASI to document the provider of record. Reviewed documentation from both the ILECs and ASI indicating that ASI was the provider of record on 86 of the new activation orders selected. Reviewed documentation from ASI only on 14 new activation orders indicating that ASI was the provider of record. Billing records from the ILECs were not available for these orders.